

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

TRADE SECTOR SUPPORT PROGRAM

(TT-0052)

LOAN PROPOSAL

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Annex I Logical Framework

BASIC SOCIOECONOMIC DATA

The basic socioeconomic data for Trinidad and Tobago available on the Internet at the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

BDC	Business Development Company
CACM	Central American Common Market
CARICOM	Caribbean Community and Common Market
CARIRI	Caribbean Industrial Research Institute
CBI	Caribbean Basin Initiative
CED	Customs and Excise Division
CET	Common external tariff
CSME	CARICOM Single Market and Economy
CSO	Central Statistical Office
EPA	Economic Partnership Agreement
EU	European Union
EXIM Bank	Export-Import Bank
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HS	Harmonized Commodity Description and Coding System
ICC	Interstate Commerce Commission
ICSID	International Center for Settlement of Investment Disputes
ILO	International Labor Organization
IMF	International Monetary Fund
IPB	International Public Bidding
IPR	Intellectual Property Rights
IT	Information technology
MERCOSUR	Mercado Común del Sur [Southern Common Market]
MFN	Most favored nation
MTI	Ministry of Trade and Industry
NAFTA	North American Free Trade Agreement
NPB	National Public Bidding
NTB	Non-tariff barriers
OECD	Organization for Economic Cooperation and Development
PCU	Program Coordination Unit
PLIPDECO	Point Lisas Industrial Port Development Company
PTI	Poverty targeted investment
RNM	Regional Negotiating Machinery
SPAN	Strategic Planning Aid to Negotiation
SPS	Sanitary and phytosanitary
TCC	Technical Consultative Committee
TIDCO	Tourism and Industrial Development Company
TRIPS	[Agreement on] Trade-Related Aspects of Intellectual Property Rights
UNCITRAL	United Nations Commission on International Trade Law
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

TRADE SECTOR SUPPORT PROGRAM

(TT-0052)

EXECUTIVE SUMMARY

Borrower:	Republic of Trinidad and Tobago		
Executing Agency:	Ministry of Trade and Industry (MTI)		
Bank's Financing Amount and Source:	IDB: (OC)	US\$5.0 million	
	Local Counterpart:	US\$2.1 million	
	Total:	US\$7.1 million	
Financial Terms and Conditions:	Amortization Period:	20	Years
	Grace Period:	54	Months
	Execution Period:	4	Years
	Disbursement Period:	54	Months
	Interest Rate:	variable	
	Supervision and Inspection:	1	%
	Credit Fee:	0.75% of undisbursed balance	
	Currency:	US\$ from Single Currency Facility	
Objectives:	The overall objective of this program is to improve the international trade performance of Trinidad and Tobago. That goal will be met by strengthening the country's technical and institutional capacity to formulate and implement trade policy, to participate effectively in trade negotiations, to implement trade agreements, and to increase and diversify exports. To those ends, the program's specific objectives are: (i) to improve the institutional structure and functioning of the MTI; (ii) to develop the technical capacity of human resources in trade-related public institutions; (iii) to improve the technical, analytical and institutional bases of trade policymaking; and (iv) to provide support to the private sector's attempts to adjust to the challenges posed by the liberalization of trade.		
Components:	In pursuit of these general and specific objectives the program will encompass the following five components: 1. Institutional Reorganization and Strengthening (US\$792,000). This component aims to support the reorganization and strengthening of the MTI, as well as other trade-related institutions, agencies and government departments, in order to improve the Ministry's capacity to formulate and implement policy as well as to improve the coordination among trade-related public institutions		

and with the private sector. This component will include: (i) preparing a Strategic Management Plan, including an action plan for its implementation and (ii) assistance and guidance with the implementation of the Strategic Management Plan to support the reorganization of the Ministry through the contracting of a Chief Technical Advisor. Included in the preparation of the Strategic Management Plan will be an in-depth assessment of the internal organization of the MTI. These activities will make significant contributions in the form of a new organizational structure and operating environment, thereby improving trade policymaking and the overall management of the country's trade relations.

2. **Specialized Technical Training (US\$1,640,000).** The aim of this component is to increase and update technical knowledge of trade policy issues that are of strategic interest to Trinidad and Tobago. The activities will help improve the performance of staff in trade-related public institutions by strengthening their capacity to devise and execute policy, to conduct trade negotiations, and to implement agreements. Where possible, training courses will be on one substantive subject (such as market access), with cross-cutting references to different negotiating fora or forum-specific implementation, such as the FTAA or the WTO. The Annual Operating Plans will include flexibility to address urgencies and/or new needs, and the training will be carried out by means of courses, seminars and conferences.
3. **Technical Studies (US\$450,000).** This component is designed to help provide a sound technical grounding to underpin trade policy positions on priority matters, so that MTI officials and trade negotiators are better equipped to assess options, negotiate effectively, anticipate outcomes, and implement the commitments arising from negotiations. It is intended to complement and reinforce the areas described under training. The studies will address policy formulation needs, adjustment, dispute settlement, domestic implications of trade measures, and trade and investment promotion. They will be commissioned from expert consultants.
4. **Integrated Information Systems (US\$1,047,000).** This component will finance the assessment, design, acquisition and installation of information and communication systems for processing, updating and transmitting trade data and information. A combination of short- and long-term consultants will be contracted to provide the specialized services required. The aim is to

facilitate decision-making and inter-institutional coordination by providing a constantly updated picture of the country's external sector, and by ensuring that information can be exchanged easily between the various agencies active on trade matters. The program will thus modernize the information technology and communications infrastructure, and will create new means of processing trade information. These changes are fundamental requirements of a complete modernization of the country's trade relations.

5. **Trade Assistance Program (US\$1,393,000).** The main goal of this component is to provide public and private sector agents with the information and tools necessary to understand clearly the effects of trade liberalization on Trinidad and Tobago; to promote exports and attract investment; and to identify and address the adjustment needs stemming from trade liberalization. It comprises three subcomponents: (i) an analysis of the impact of trade liberalization on the economy as a whole and on specific sectors; (ii) a review of existing strategies on export promotion and investment attraction and the development of new programs in these fields, including sector-specific strategies for priority exports; and (iii) an action plan to help meet adjustment needs, including a program to identify and access sources of funding that might support sectors affected by trade liberalization, a strategy to promote the technological transformation of industries, and the identification of possible labor market adjustment needs.

**Special
Contractual
Conditions:**

Conditions precedent to first disbursement: (i) the creation and staffing of the Program Coordination Unit (PCU) (paragraph 3.2); (ii) presentation of final version of the Operating Manual (paragraph 3.11); (iii) presentation of the final version of the Annual Operating Plan for the first year of the program (paragraph 3.12); and (iv) the creation of the Program Steering Committee (PSC) (paragraph 3.4).

**Relationship to
Bank Country
and Sector
Strategy:**

The four-pronged strategy in Trinidad and Tobago, as outlined in the 1997 Country Paper,¹ is designed to help the government to: (i) promote economic growth and diversification; (ii) increase productive employment and reduce poverty; (iii) support public sector modernization and reform efforts; and (iv) improve natural resource management and environmental protection. The proposed program would contribute to objectives (i) and (iii) in that it seeks to increase and diversify exports, as well as to improve inter-institutional

¹ The proposed program was included in the Updated Strategy for Region III Countries (GN-2207-2, May 28, 2002).

coordination among public sector agencies whose operations affect trade performance.

Coordination with Other Official Development Finance Institutions: The Bank coordinates its trade-related activities in the region with several bilateral and other multilateral agencies involved in trade negotiations in the region. In the particular case of the Caribbean, the Bank is supporting the Regional Negotiating Machinery (RNM) in collaboration with the Caribbean Development Bank and bilateral donors (paragraph 1.18).

Environmental / Social Classification: The activities to be financed in this program will not have negative direct environmental or social effects. The program design includes: (i) a technical study on the environment, labor and trade, with the involvement of the environmental management authority (Ministry of Public Utilities and the Environment) of Trinidad and Tobago (paragraph 2.15, footnote 7); (ii) training and technical studies related to the capacity to analyze environmental impact is complemented by analysis of sociocultural issues (paragraphs 2.8 and 2.21); and (iii) the section on environmental and social impact analyzes the possible environmental and sociocultural impact of the program (paragraphs 4.6-4.7).

Potential Benefits: The program will increase the technical capacity of Trinidad and Tobago to conduct trade negotiations, to implement trade agreements, to promote trade and investment opportunities, and to exploit the opportunities and face the challenges arising from trade liberalization. This will enhance the country's insertion into the global economy, support the development of non-petroleum exports and increase the efficiency of the economy, thereby increasing the potential for economic growth and development.

Potential Risks: The program faces three main risks. The first concerns the institutional capacity of a small ministry to execute the program activities. This risk will be minimized by hiring highly qualified staff for the Program Coordination Unit, who will be devoted exclusively to program execution. Additionally, the existence of a detailed Operating Manual covering all program activities throughout the four-year execution period will facilitate implementation. Finally, program execution will be assessed at the mid-term review to determine if additional strengthening measures need to be undertaken.

The second risk relates to institutional changes made to the organization of the MTI in recent years. Ministry officials have relatively limited experience of the new structure and will be adapting to it as the MTI is subject to this operation. As a means of mitigating this risk, the program's assessment of operational procedures and its design of a Strategic Management Plan will be undertaken in full consultation with MTI officials and their views will be taken into account in designing institutional changes. Additionally, as a means of facilitating the transition to new

arrangements, implementation of the Strategic Management Plan will be accompanied by the provision of technical advice and support for managing institutional change and consolidating the new structure.

The third main risk concerns public sector turnover in trade-related state agencies. To address this risk the operation offers public officials continuous incentives for professional development through intensive training in trade and economics, ranging from basic aptitudes in economic analysis to advanced skills in trade issues and inter-governmental negotiating techniques. Moreover, the program makes substantial allowance for the training of trainers, ensuring that the government has recourse to a pool of trained individuals. In addition, the program will create a better institutional, technological and intellectual environment for public officials, in which personnel will have access to modern information and communications technology and closer links with important international organizations.

**Poverty-targeting
and Social Equity
Classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty targeted investment (PTI).

**Procurement Plan
& Timeframe,
Threshold
Amounts for ICB:**

The Procurement Plan and Timeframe is attached in Annex II. All selection and contracting of services and acquisition of goods and materials will be carried in accordance with Bank procurement procedures. However, in the case of the procurement of computer hardware and software that will be purchased under Component IV Integrated Information Systems, it is herein requested that the Executing Agency be granted a waiver to select these goods on a sole sourcing basis. This waiver refers only to the selection of a particular brand of hardware and software. Should the particular brand be available from more than one supplier, the suppliers would be required to submit competitive bids. The request for this waiver is based on the recommendation of ROS/PRM in light of recent Bank experience in connection with the procurement of computer hardware and software. This is deemed justified in order to insure that the acquired goods are compatible and standardized with the existing computer hardware and software currently utilized within the MTI. The estimated cost of the hardware is approximately US\$340,000 and software US\$175,000. International public bidding is mandatory for the acquisition of goods and related services that exceed US\$350,000 and US\$200,000 in the case of consulting firms. All procurement under the set limits will be carried out according to national legislation. The contracting of international individual consultants will be carried out according to the Bank's international competitive bidding procedures (ICB), whereas the contracting of

local consultants will be carried out under national competitive bidding (NCB) process. It is not foreseen that any civil works will be financed under the program (paragraph 3.8).

Key Performance Indicators & Monitoring Benchmarks:

At the end of the program the following key performance indicators will be used to measure the achievement of program goals:

- a. Purpose
 - (i) improvement in the technical, analytical and institutional bases of trade policymaking; and
 - (ii) more effective participation of Trinidad and Tobago in trade agreements negotiated and signed during the program execution period.
- b. Goals
 - (i) improvements in the four-year growth trend for non-petroleum exports relative to the previous four-year period; and
 - (ii) progress made on trade reform measures relative to the start of the program as a result of enhanced national consensus.

Reporting Arrangements jointly with Bank and Executing Agency:

Review of Annual Operating Plans (AOP). At the beginning of each year of project execution the PCU will prepare an Annual Operating Plan for each component of the program. This document will present an updated version of the information described in the Operating Manual concerning the activities, calendar, TOR and goals to be achieved during the ensuing 12-month period. The existing draft Operating Manual and Terms of Reference, which already cover all program activities and provide a calendar, will be used as the basis for the preparation of the final version of the AOP of the first year. The AOPs, with the exception of the one for the first year of the program, should present an evaluation of the previous period and justification for modifications with respect to the originally envisioned goals (paragraph 3.12).

Establishment of evaluation framework. A consultant will be contracted by the Bank after the approval of the loan to carry out the mid-term review and final evaluation. The consultant will establish an evaluation framework based primarily on the indicators and goals established in the Logical Framework. The majority of the baseline data required for evaluation and monitoring of the project has either already been collected or is readily available (paragraph 3.13).

Mid-term review. Within 24 months of the signature of the loan contract, the evaluation consultant will begin a mid-term review of the project to be completed within 26 months from contract signature. Immediately before the mid-term evaluation, a review of each of the AOPs will be carried out to determine if any

changes should be made to the implementation of the program in the following two years. This review will also be based on the agreed indicators, and the degree to which the program is achieving the goals established. The assumptions in the Logical Framework will also be reviewed and updated as required. If necessary, the consultant will make recommendations for actions to improve execution (paragraph 3.13).

Final evaluation. Once the execution of the main components of the program has concluded, the consultant will carry out a final evaluation. This evaluation will analyze the results of the program and the achievement of the proposed goals in all sections of the Logical Framework (paragraph 3.13).

Ex-post evaluation. In accordance with Bank policies, the MTI was consulted as to whether or not it wanted to carry out an ex-post evaluation in the program. The Ministry responded that it supports the Bank's initiative to utilize the Annual Operating Plans, mid-term review and final evaluation as a means to evaluate the project. In this regard, the evaluations included in the AOPs, the mid-term review, and final evaluation will include indicators and parameters that will enable the Bank and the borrower to understand the impact of the program and the goals achieved as a result. This information will be available to the Bank in the event that it should later decide to carry out its own ex-post evaluation. Given the recent creation of the Trade Sector Facility, such an evaluation might be conducted as a means of comparing the results of this program with others using the same Facility. The MTI also indicated that it supports the inclusion of the Trinidad and Tobago Trade Sector Support Program, should the Bank later seek to carry out an ex-post evaluation of programs using this same Facility (paragraph 3.15).

Progress reports. Progress reports on the execution of the project will be presented to the Bank by the PCU within 30 days following the end of each semester. These reports will be prepared in accordance with the relevant rules agreed upon with the Bank (paragraph 3.14).

I. FRAME OF REFERENCE

A. General context of trade sector

- 1.1 Trinidad and Tobago is a small, open economy whose external sector is dominated by petroleum exports. Since the mid-1980s a process of economic and trade reform has enhanced conditions for a more open commercial regime, although much remains to be done to improve the management of trade relations, to diversify the export base, and to attract foreign investment into non-energy sectors. In 2000, petroleum exports accounted for more than 75% of total export revenues, manufactured goods for less than 15%, and food exports for just over 5%. Foreign reserves are thus highly dependent on the price volatility of exports from the petroleum sector, as are fiscal performance and import capacity. Lessening this vulnerability, accelerating the process of diversification and improving the management of trade relations are therefore important development priorities as Trinidad and Tobago seeks to reposition itself to exploit the opportunities offered by regional, hemispheric and multilateral trade liberalization.

B. Performance of trade sector

- 1.2 For over a decade, successive administrations in Trinidad and Tobago have been implementing demand- and supply-side adjustment measures to correct macroeconomic imbalances and to reposition the economy in the context of global trends towards deregulation and trade liberalization. These reforms have included fiscal and debt consolidation, the deregulation of the foreign exchange market, a substantial dismantling of the system of quota restrictions, a major divestment program, and several measures designed to foster an enabling environment for export expansion led by the private sector. These reforms have been supported by several multilateral loans and grants.²
- 1.3 Partly because of the adjustment initiatives undertaken and significant foreign direct investment in the energy sector, over the past eight years the economy has experienced uninterrupted real growth and a decline in unemployment. Although slowing somewhat, real growth rates have averaged about 6% in the last four years and unemployment has fallen from over 18% in the early 1990s to 11% today. A significant beneficiary of supply-side adjustment over the last decade has been the non-oil manufacturing sector, which remains buoyant. Exports from this

² A 1988-1992 adjustment program financed by the International Monetary Fund (IMF) in the form of a US\$120 million Stand-By Facility and a US\$114 million Compensatory Financing Facility; a Structural Adjustment Loan for US\$40 million and an associated Technical Assistance Loan for US\$4 million by the World Bank as well as co-financing by the Japan Eximbank of US\$40 million in 1990; a 1992 Business Expansion and Industrial Restructuring facility of US\$27 million funded by the World Bank; a 1993 Investment Sector Reform Program funded by IDB loans 758/OC-TT (US\$65.0 million) and 759/OC-TT (US\$15.0 million), both fully disbursed; an Agricultural Sector Reform Program in 1995 funded by IDB loan 882/OC-TT (US\$9.0 million), 40% disbursed; and Structural Adjustment Support Facilities funded by EU grants of 9.7 million Euros in 1993 and 4.3 million Euros in 1996.

sector more than tripled in the period 1992-2000, with the CARICOM market being a major source of demand.

- 1.4 The external current account surplus contracted in 2001 from 5.2% of Gross Domestic Product (GDP) to about 1.4%. This stemmed mainly from a US\$506 million reduction in oil export earnings, caused by production and price declines and terms of trade deterioration in the aftermath of the events of September 11, 2001. Despite this, the overall balance of payments surplus improved to US\$470 million or 5.2% of GDP from the US\$441 million registered in 2000. This surplus was achieved without the support of international borrowing as debt flows were negative during the year. Gross official reserves rose by US\$546 million to US\$2,456 million, equivalent to seven months of import cover. The central government fiscal current account surplus has only averaged 1.2% of GDP since economic growth resumed in 1994, and the overall balance averaged a deficit equivalent to 0.3% of GDP.³ Inflation rose from 3.5% in 2000 to 5.3% in 2001, mainly the result of food price increases. The country's competitive position is strong: productivity growth in the external sector continues to outstrip that for the economy as a whole.

C. Participation in trade negotiations and agreements

- 1.5 Trinidad and Tobago's tariff policy is governed by agreements reached within the Caribbean Community and Common Market (CARICOM), of which it is a founding member. The country adopted the CARICOM common external tariff (CET) in January 1991. Trade between CARICOM member countries is substantially duty-free, and tariffs are applied to goods imported from outside the Community or goods that do not meet CARICOM's rules of origin. Since the CET came into effect, the maximum external tariff for industrial goods (except for some products agreed within CARICOM) has fallen from 35% to 20%. Maximum agricultural tariffs under the CET are 40%. The average most favored nation (MFN) tariff is about 9%. Proposals for tariff changes originate at the level of the Community, which generally negotiates trade agreements with third countries *en bloc*.
- 1.6 Current negotiations for such agreements raise a variety of challenges, since Trinidad and Tobago faces a growing agenda of trade agreements that must be negotiated simultaneously in different fora. To conduct trade negotiations on a regional and coordinated manner, CARICOM established the CARICOM Regional Negotiating Machinery (RNM) with a mandate to provide a technical foundation for negotiations and to coordinate positions. Trinidad and Tobago is required to ensure that its national interests are aptly represented in any regional positions that may be developed. The Community has already concluded trade agreements with Venezuela (signed October 1992), Colombia (July 1994), the Dominican

³ Data on consolidated public sector balance is not available in Trinidad and Tobago. However, available data on government capital expenditures undertaken with off-budget financing suggest that if these expenditures were consolidated with the reported central government fiscal accounts, then the overall balance would have averaged a deficit of over 3% of GDP during 1996-2000.

Republic (August 1998), and Cuba (July 2000). The future agenda includes negotiations within CARICOM itself – further implementation of the CARICOM Single Market and Economy (CSME) program; negotiation of the Free Trade Area of the Americas (FTAA); negotiation of post-Lomé arrangements with the European Union (EU); and a new round of multilateral negotiations under the aegis of the World Trade Organization (WTO). Forthcoming negotiations will also encompass a second phase of negotiations of the CARICOM-Cuba, CARICOM-Dominican Republic and CARICOM-Venezuela agreements. CARICOM has already initiated measures to conclude agreements with Costa Rica and Canada. In addition, CARICOM has expressed interest in trade agreements with the Andean Community and the Central American Common Market (CACM). Trinidad and Tobago – negotiating alone, not as part of CARICOM – has begun bilateral trade talks with Brazil and Mexico.

- 1.7 The post-Lomé, FTAA and WTO negotiations, in particular, involve an extensive and complex process addressing market access, intellectual property, standards and technical barriers to trade, investment, sanitary and phytosanitary regulations, subsidies, government procurement, competition policy, dispute settlement, rules of origin, customs procedures and services. Effective participation in talks on these matters requires advanced negotiating capabilities, including a technical capacity for evaluation and analysis on the part of governments, the private sector and civil society. Acquisition of such capabilities is urgent in view of the imminence of some deadlines. The FTAA and WTO negotiations are scheduled to be completed by the end of 2004 and the CSME is to come into effect in 2005. The EU hopes to negotiate a reciprocal, free trade-based “Economic Partnership Agreement” (EPA) with CARICOM between September 2002 and 2008.

D. Characteristics and weaknesses of institutional framework of the trade sector

- 1.8 The Ministry of Trade and Industry (MTI) has lead responsibility for: (i) devising and implementing trade, industrial development and investment policy; (ii) negotiating and managing bilateral, regional and multilateral trade agreements; (iii) the facilitation of inward investment and export promotion; and (iv) instituting effective measures to protect local industry from the effects of unfair trade practices.
- 1.9 For negotiations at the WTO and with the EU, the Ministry of Foreign Affairs, through its offices in Geneva and Brussels, provides diplomatic and consular support. This ministry also helps coordinate bilateral negotiations that involve wider issues than trade (such as maritime boundaries, technical cooperation, etc.).
- 1.10 The MTI also has oversight responsibility for a number of statutory boards and wholly- or partially-owned public enterprises, including the Trinidad and Tobago Bureau of Standards, the Caribbean Industrial Research Institute, the Business Development Company, the Export-Import Bank, the Tourism and Industrial Development Company (TIDCO), and the Point Lisas Industrial Port Development Company (PLIPDECO).

- 1.11 Within CARICOM, at the technical level, Ministry officials have lead responsibilities for external negotiations dealing with competition and antidumping policy, while at the political level the Minister of Trade and Industry is the common market's chief spokesman at bilateral trade negotiations.
- 1.12 Up to 1992, the MTI's organizational structure reflected the inward-looking policy stance to which the government was committed. Within this framework, the Ministry's main functions revolved around administering quota and tariff restriction systems. With the adoption of a more open trade policy stance since then, some restructuring has taken place. Most recently, the structure of the MTI has been reorganized under the "Regional Trade" and "International Hemispheric" divisions. The MTI's Trade Unit has been divided into four geographical divisions: ACP-EU, WTO, FTAA and CARICOM/CSME, as well as subject areas such as services. The reorganization of staff previously comfortable with subject areas into geographic divisions has been challenging. There has been a tendency for individuals to continue working as in the past rather than shift to the new geographic focus. Restructuring initiatives have included: (i) the consolidation into one organization (TIDCO) of the public agencies responsible for export promotion, industrial development and tourism development; (ii) some reconfiguration of staffing by redeploying sections of the administrative staff to other public sector agencies and an increase in technical personnel; and (iii) the 1996 establishment of an antidumping unit.
- 1.13 The Ministry remains ill-equipped to respond to the demands of the current international trade negotiations agenda, the main constraint being the limited institutional capacity and human capital base of the MTI. The central issue is therefore to organize an institutional strengthening program that addresses the problems of limited capacity, human resources, technical knowledge and strategic direction. The Ministry's ability to fulfill its mandate efficiently is hampered by weaknesses in the areas of: (i) research and strategy formulation; (ii) the absence of dedicated technical support for consultative processes; and (iii) the absence of budgetary or organizational arrangements for the engagement of short-term technical support. But the lack of sufficient and well-trained staff (approximately 12 professionals carry out trade related functions within the MTI), compounded by high turnover and inadequate institutional organization, remain the most critical constraints on the country's ability to respond to the numerous opportunities and challenges emanating from international trade. The proposed program will address these issues and make this and other divisions of labor among government agencies more effective by strengthening coordinating mechanisms.
- 1.14 In order for Trinidad and Tobago to meet the new challenges attendant on regional and multilateral trade liberalization in an agreed timeframe, the country must now establish and maintain an institutional infrastructure to support its successful participation in trade negotiations and to consolidate the benefits of its economic and trade reform program. In particular, there is need to increase the MTI's technical and institutional capacity to conduct negotiations and formulate

and implement trade policy, to improve coordination among the public sector agencies whose operations affect trade performance,⁴ and to foster greater stakeholder participation in trade policymaking. There is also a need for a trade assistance program that will analyze the effects of trade liberalization, define a frame of reference for a WTO-consistent plan to deal with adjustment needs, and institute a trade and investment strategy to exploit new opportunities offered by trade agreements.

E. The country's sector strategy

- 1.15 Of the six main strategic objectives outlined in the government's Medium Term Policy Framework, the following are of direct relevance to the operation being proposed: (i) diversification of the economy; (ii) promotion of global competitiveness; and (iii) development of a knowledge-based society. To these ends the government has been promoting an industrial cluster development initiative in sectors such as plastics, chemicals and packaging; the emergence of e-commerce; and the establishment of new industrial estates. It has acknowledged the need for corresponding regulatory reforms and is examining ways of improving the operations of the Customs and Excise Department. The government has also undertaken to support the rapid development of export-oriented small enterprises.

F. The Bank's sector strategy

- 1.16 The four-pronged Bank strategy in Trinidad and Tobago, as outlined in the 1997 Country Paper,⁵ is designed to help the government to: (i) promote economic growth and diversification; (ii) increase productive employment and reduce poverty; (iii) support public sector modernization and reform efforts; and (iv) improve natural resource management and environmental protection. The proposed program would contribute to objectives (i) and (iii) in that it seeks to increase and diversify exports as well as to improve inter-institutional coordination among public sector agencies whose operations affect trade performance. A new Country Strategy, which is expected to emphasize economic diversification and public sector modernization, is being developed for Board presentation in 2003. The proposed program complements these objectives.
- 1.17 Bank experience with Trade Sector projects using the Flexible Lending Instruments approved in March 2000, is so far limited to one operation in Guatemala (GU-0152), approved in 2001. However Trade Sector operations are currently under preparation for Nicaragua, the Dominican Republic, Peru,

⁴ Ministry of Finance (including Customs and Excise Department), Ministry of Foreign Affairs, Ministry of Agriculture, Ministry of Health (Chemistry, Food and Drugs Division), Ministry of Public Utilities and the Environment, Business Development Company (BDC), Caribbean Industrial Research Institute (CARIRI), Chief Parliamentary Counsel, Trinidad and Tobago Bureau of Standards, Export-Import Bank (EXIM Bank), Central Tenders Board, Central Statistical Office (CSO), Central Bank, and the Tourism and Industrial Development Company (TIDCO).

⁵ The proposed program was included in the Updated Strategy for Region III Countries (GN-2207-2, May 28, 2002).

Guyana, and Bolivia, which illustrates the increasing demand from countries in the region to strengthen institutional capacity in order to improve their international trade performance.

- 1.18 The Bank is at the forefront of providing support for trade-related negotiations in Latin American and the Caribbean, not least because it is part of the Tripartite Committee, together with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and the Organization of American States (OAS), which is providing technical support for the FTAA negotiations. The Bank coordinates its trade-related activities in the region with several bilateral and other multilateral agencies involved in trade negotiations in the region. In the particular case of the Caribbean, the Bank is supporting the RNM in collaboration with the Caribbean Development Bank (CDB) and bilateral donors. Support for the RNM includes increasing the technical and negotiating capacity of trade negotiators in the region, as well as the provision of call-down expertise on specific trade issues.

G. The proposed program

- 1.19 The implementation of the proposed program will contribute to the achievement of the government's diversification objective by establishing the institutional infrastructure needed to support export growth in the non-oil sectors, particularly in manufacturing and services.
- 1.20 In the short term, access to the resources to be made available will help the MTI to meet the challenges posed by participation in international negotiations by filling technical gaps that would otherwise constrain its efforts to ensure that the country's interests are best represented at this level.
- 1.21 Beyond the negotiations, implementation of the program will help the Ministry to establish a sustainable capacity to participate in the required follow up activity – monitoring of progress and compliance, dispute resolution, participation in subsequent bilateral and regional negotiations, the establishment of systems to support the private sector, and strengthening the export promotion operations of public agencies.
- 1.22 The proposed program is also consistent with the Bank's public sector modernization objective, the government's own efforts in this direction, and its commitment to participatory approaches to trade policymaking.
- 1.23 To support and complement the proposed Trade Sector Support Loan, the national authorities are engaged in a parallel Bank-funded activity. They have drawn up a proposal (approximately US\$200,000) to use resources in the Customs Related Business Facilitation Measures program funded by MIF (ATN/MT-7080-RG). The Executing Agency will ensure that program activities are conducted in coordination with the MIF operation, the Bank's current project with the RNM, and any other relevant IDB programs.

II. THE PROGRAM

A. Objectives

- 2.1 The overall objective of this program is to improve the international trade performance of Trinidad and Tobago. That goal will be met by strengthening the country's technical and institutional capacity to formulate and implement trade policy, to participate effectively in trade negotiations, to implement trade agreements, and to increase and diversify exports. To those ends, the program's specific objectives are: (i) to improve institutional organization of the MTI; (ii) to develop the technical capacity of human resources in trade-related public institutions; (iii) to improve the technical, analytical and institutional bases of trade policymaking; and (iv) to provide support to the private sector's attempts to adjust to the challenges posed by the liberalization of trade.
- 2.2 In pursuit of these general and specific objectives the program will encompass the following five components: (i) institutional reorganization and strengthening; (ii) specialized technical training courses; (iii) a program of technical studies; (iv) integrated information systems; and (v) a Trade Assistance Program.

B. Description

1. Component I: Institutional Reorganization and Strengthening (US\$792,000)

- 2.3 This component aims to support the reorganization and strengthening of the MTI, as well as other trade-related institutions, agencies and government departments, in order to improve the Ministry's capacity to formulate and implement policy, as well as to improve the coordination among trade-related public institutions and with the private sector. This component will include: (i) preparing a Strategic Management Plan, including an action plan for its implementation and (ii) assistance and guidance with the implementation of the Strategic Management Plan to support the reorganization of the Ministry. Included in the preparation of the Strategic Management Plan will be an in-depth assessment of the internal organization of the MTI. In the preparation of the assessment and the Strategic Management Plan, special attention will be paid to the need to strengthen the Ministry's operations in the following areas: (i) trade negotiations and monitoring; (ii) research and strategic planning; and (iii) coordination and awareness. These activities will make significant contributions in the form of a new organizational structure and operating environment, thereby improving trade policymaking and the overall management of the country's trade relations.
- 2.4 The activities will be undertaken according to the following sequence: (i) preparing an in-depth diagnostic to evaluate changes to the internal division of labor; (ii) designing new structures; (iii) developing work plans; and (iv) expert support to initiate the work of the new units. A consulting team will be contracted to prepare the internal assessment and facilitate the preparation of the strategic plan for the Ministry and all its supporting agencies. Additionally, to support the

timely implementation of this component according to its objectives, a Chief Technical Advisor will be contracted for a three-year period to work on a day-to-day basis to support and implement the activities contained in the new Strategic Management Plan. In addition, the Program Coordinator contracted to oversee implementation of this operation (see paragraph 3.2) will work closely with the Chief Technical Advisor to facilitate the execution of the Strategic Management Plan and to ensure full consistency in the other activities of this program. The detailed TOR for the consulting team contracted to prepare the Strategic Management Plan and the institutional assessment as well as activities corresponding to the Chief Technical Advisor are described in the Operating Manual (see Annex III).

a) Preparation of the Strategic Management Plan

(i) Assessment of the Ministry's internal organization and other trade institutions

- 2.5 The first step in the development of a Strategic Management Plan for the MTI will be to carry out an in-depth assessment, the objective of which would be to make recommendations for changes to the Ministry's current institutional structure, as well as other trade-related institutions, agencies and government departments, with a view to developing a Strategic Management Plan for the Ministry. This in-depth assessment will take into consideration the more general institutional assessment conducted during the program design phase. The program will finance the in-depth institutional assessment, specialized managerial advice, and any training that might be required. The assessment will examine: current trade and trade-related organizations; the relationship between trade obligations and institutional structure; procedures and functioning; budgeting; capacity to interrelate with the private sector in coordinating trade matters; and support mechanisms needed to develop and diversify external trade. The assessment will advance proposals in the following functional areas: (i) trade negotiation and monitoring; (ii) research and strategic planning; and (iii) coordination and awareness.

(ii) Preparation of the Strategic Management Plan for the MTI

- 2.6 The Strategic Management Plan will include, as necessary, the recommendations of the in-depth assessment and will: (i) define duties in the areas of trade policymaking, coordination, oversight, and enforcement; trade-related economic analysis; and recommendations on trade policy options; (ii) define mechanisms for inter- and intra-ministerial policy implementation, coordination, and oversight; (iii) set out how the Ministry can develop from its current structure to adapt to the proposed functional changes; and (iv) draw up short- and medium-term work plans and management guidelines for the MTI as a whole and for each division within it.

b) Support for implementation of Strategic Management Plan

- 2.7 The program seeks to strengthen the MTI's capacity to monitor, plan and coordinate. To that end the operation will provide technical advice and support, through the Chief Technical Advisor, for managing institutional change, consolidating the new institutional structure, and implementing the Strategic Management Plan during the execution of the program. Furthermore, the MTI has agreed to allocate resources to permanently fill the technical and capacity gaps identified by the strategic planning exercise so as to insure the sustainability of the program benefits beyond the completion of the project.

2. Component II: Specialized Technical Training (US\$1,640,000)

- 2.8 The aim of this component is to increase and update technical knowledge of trade policy issues that are of strategic interest to Trinidad and Tobago. The activities will help improve the performance of staff of trade-related public institutions by strengthening their capacity to devise and execute policy, to conduct trade negotiations, and to implement agreements. Where possible, training courses will be on one substantive subject (such as market access), with cross-cutting references to different negotiating fora or forum-specific implementation, such as the FTAA or the WTO. The training schedule is detailed in the Operating Manual (see Annex III) and will be updated in the Annual Operating Plans so as to permit flexibility to address urgencies and/or new needs; the training will be effected by means of courses, seminars and conferences.⁶ The draft terms of reference for each of the identified specialized training activities are detailed in the Operating Manual (see Annex III). Where applicable, these terms of reference include an activity to analyze the potential negative impact of export activity on the environment, including the socioeconomic and sociocultural fabric of Trinidad and Tobago (e.g., displacement of small and/or traditional producers, increased unemployment, increased violence) and when necessary to include mitigation measures.
- 2.9 The training program adopts a two-pronged approach. On the one hand, the technical capacity of staff in the organizations involved will be enhanced through in-depth training in specific issues. On the other, general workshops on these issues will be provided for officials responsible for international trade negotiations, officials who have trade-related functions, and representatives of civil society (the private sector, NGOs and labor). To ensure sustainability: (i) all trade experts hired to provide training sessions will be required to develop a manual for the individual training components (see paragraphs 2.15-2.19); and (ii) some participants at all training courses will be identified as potential future trainers who will be provided with additional training in didactic techniques (see paragraph 2.18). On an average it is expected that each training course would be

⁶ Training will be effected through training courses lasting two weeks on average. The calendar of activities will be finalized within the Annual Operating Plans. For seminars, conferences and exchanges in international organizations, staff participation will depend on the evaluation of such activity in terms of the relationship to needs and the cost involved.

attended by 16 persons (ten from MTI, four from other trade-related ministries, one or two persons from the private sector and one or two persons from civil society).

- 2.10 The main target groups will be: (i) newly recruited junior officials; (ii) mid-level officials; and (iii) special advisors. Additionally, officials from other government ministries would participate in training activities depending on the specific issues being addressed. The main mode of delivery will be custom-designed programs delivered locally in Port of Spain by qualified international and national trade experts. Senior personnel will also be trained to deliver future in-house training. Personnel may be selected to participate in certain courses and seminars or conferences organized by institutions in Trinidad and Tobago or abroad. Activities will take into account ongoing or potential programs organized by the Bank in cooperation with international organizations such as the WTO, the World Trade Institute, the International Trade Center, UNCTAD, etc.
- 2.11 Logistical problems stemming from the inability of officials to attend training activities because of busy schedules and the limited number of staff will be dealt with in the following ways: (i) selection and hiring of new junior officials is a short-term priority; (ii) activities will be organized in line with the availability of new junior and regular staff; (iii) the work plan will schedule activities in function of upcoming events on the negotiating agenda, so as to give each training activity a practical objective; and (iv) the Program Coordination Unit (PCU) Coordinator in charge of training will be responsible for fixing final dates and availability of participants for each training session.
- 2.12 To ensure coordination and avoid duplication, the Program Coordinator will be responsible for establishing close coordination with training activities funded by other donors. In addition, there will be a Coordinator in the PCU responsible for Institutional Strengthening, Training, Technical Studies and the Trade Assistance Program, who will ensure the efficient implementation of the Annual Operating Plans and ensure close coordination with activities funded by other donors.
- 2.13 The specialized training has been grouped into the following broad areas: (i) negotiating techniques; (ii) trade negotiations and related key issues; (iii) market intelligence and research techniques; (iv) trade agreements; (v) training trainers; (vi) other areas of training; and (vii) participation at external events. It is envisaged that a total of 78 courses will be delivered over the four years of the program.

a) Negotiating techniques

- 2.14 This area of training (one course per year for four years) will provide current and future negotiators with tools to engage in trade negotiations, including bargaining techniques, principles of alliance formation, and assessment of strategic and tactical goals. This training will include negotiating exercises and simulated negotiations.

b) Training for trade negotiations and related key issues

- 2.15 Training in the following areas will include: (i) **market access** (two courses per year, total eight courses); (ii) **customs and trade facilitation** (two courses per year, total eight courses); (iii) **services** (two courses per year, total eight courses); (iv) **fair trading practices** (two courses per year, total eight courses); (v) **competition policy** (three courses); (vi) **government procurement** (one course per year, total four courses); (vii) **trade law and dispute settlement** (two courses per year, total eight courses); (viii) **investment** (one course per year, total four courses); (ix) **intellectual property rights** (one course per year, total four courses); and (x) emerging issues (three of the four courses have been identified as: **e-commerce, environment,**⁷ and **labor**).

c) Market intelligence and research techniques

- 2.16 Under this heading the program will provide training in trade policy research and analysis with the aim of building qualitative and quantitative analytical capabilities (one course per year, total four courses).

d) Trade agreements

- 2.17 The aim of this training activity is to introduce trade policy officials to the main issues involved in the legal principles, rights and commitments in regional and multilateral trade agreements. The training will adopt a two-pronged approach involving, on the one hand, basic coverage of all trade agreements and, on the other, advanced analysis of the substance and implementation of trade agreements (one course per year, total four courses).

e) Training trainers

- 2.18 A central aspect of all training activities will be a continuous effort to train trainers as a means of building an inherent element of sustainability into the program. This effort will take several forms: (i) as previously mentioned, all the consultants contracted to carry out the training activities will be required to prepare a comprehensive manual of the subject matter under discussion, for the purposes of disseminating the substance of the training among those who did not attend training sessions; (ii) training manuals will be made available electronically

⁷ Training activities in this area will strengthen the capacity of officials of the Ministry of Public Utilities and the Environment and the MTI in the environmental management and sociocultural impact aspects of multilateral, hemispheric and regional trade agreements and regulations. Training will include: (i) an analysis of multilateral, hemispheric and regional regulations on trade-related environmental measures; (ii) requirements for compliance with environmental control and certification of commercial transactions, WTO discussions on trade and the environment, and other regional agreements in this field; (iii) evaluation of biotechnology-related issues; and (iv) existing mechanisms to ensure compliance with such regulations. The manuals that will be developed by the trade experts who will provide the training in the area of environment as well as in the area of trade related labor issues will serve as tools for the Ministry of Public Utilities and the Environment in addressing the environmental, sociocultural, and trade-related labor aspects of trade agreements, negotiations and regulations.

through the integrated information system that forms a component of this operation; (iii) some participants at training sessions will be selected for some days' additional training in the specific subject and in didactic techniques, so that they can impart the knowledge in later sessions to individuals who did not participate in the original training activity; and (iv) some sessions will be videotaped with a view to preserving the training for access to individuals who did not take part in the original activity, or for new officials in government agencies.

f) Other areas of training

- 2.19 In addition to the above training activities, and in order to address urgencies and emerging priorities, the program will make allowance for four additional training courses in other areas to be determined during program execution.

g) Participation at external events

- 2.20 The program will provide funding for the participation at external events such as conferences, exchanges, etc.

3. Component III: Technical Studies (US\$450,000)

- 2.21 This component is designed to help provide a sound technical grounding to underpin trade policy positions on priority matters, so that MTI officials and trade negotiators are better equipped to assess options, negotiate effectively, anticipate outcomes, and implement the commitments arising from negotiations. It is intended to complement and reinforce the areas described under training (Component II) and the Trade Assistance Program (Component V). Together, these three components will form a basis on which Trinidad and Tobago, in a four-year work program, can attend to all trade matters currently under negotiation or being implemented. This component will carry out some 15 technical studies in three broad areas: (i) to support negotiations and implementation; (ii) to support the modernization of customs administration; and (iii) others. The studies will be commissioned from expert trade consultants. The terms of reference for each of the identified technical studies are detailed in the Operating Manual (see Annex III). Where applicable, these terms of reference include an activity to analyze the potential negative impact of trade promotion on the environment including the socioeconomic and sociocultural fabric of Trinidad and Tobago (e.g. displacement of small and/or traditional producers, increased unemployment, increased violence) and when necessary to include mitigation measures.

a) Technical studies to support negotiations and implementation

- 2.22 The following studies will be carried out to support negotiations and implementation: (i) **trade remedies**, this study will develop a manual of trade legislation for the implementation of trade agreements; (ii) **trade priorities**, these two studies seek to identify trade priorities and make pertinent recommendations for the design of overall trade policy and negotiating strategy; (iii) **services**, the

three studies in this area will develop an export development strategy for the services sector; and (iv) **fiscal implications of tariff liberalization**, these two studies will examine the implications of the potential loss of revenue from trade taxes that might occur as a result of tariff liberalization.

b) Technical studies to support the modernization of customs administration

- 2.23 These two studies will seek to assess the Customs and Excise Division (CED) and make recommendations for its modernization.

c) Other technical studies as necessary

- 2.24 In addition to the above studies, in order to address urgencies and emerging priorities, the program will make allowance for five studies in other areas to be determined during program execution.

4. Component IV: Integrated Information Systems (US\$1,047,000)

- 2.25 This component will finance an assessment of trade-related information and communication needs, and thereafter the design, acquisition and installation of information and communications systems for processing, updating and transmitting trade data and information. A combination of short- and long-term consultants will be contracted to provide the specialized services required. The aim is to facilitate decision-making and inter-institutional coordination by providing a constantly updated picture of the country's external sector, and by ensuring that information can be exchanged easily between the various agencies active on trade matters. The program will thus modernize the information technology and communications infrastructure, and will create new means of processing trade information. These changes are fundamental requirements of a complete modernization of the country's trade relations.
- 2.26 The main activities under this component will include: (i) assessment of the existing trade data infrastructure; (ii) modernization of the internal information system of the MTI and its linkages with external sources; (iii) creation of a trade information center; and (iv) establishment of a database on trade in services and the strengthening of existing databases on trade in goods. The terms of reference for each of the subcomponents are detailed in the Operating Manual (Annex III).

a) Assessment of the existing trade information data infrastructure

- 2.27 The goal of this assessment is to identify the Ministry's requirements in the areas of information technology and statistics for the purposes of effective trade, investment and services policymaking, and to evaluate the linkages to trade data sources both in country and abroad. This assessment will take into account the central functions of the Trade Ministry and its link to: (i) national trade institutions; and (ii) international missions with particular emphasis to Washington, London, Brussels, Geneva, and New York.

- 2.28 On the basis of this assessment, a new system will be designed to address the Ministry's statistical and information needs. In addition, a work plan will be drawn up for a comprehensive renewal of the Ministry's information capacities. The assessment will be conducted at the start of the program and will cover the following matters: (i) the identification of statistical information required for effective trade, investment and services policymaking; (ii) recommendations for instituting a trade information system; and (iii) the feasibility of establishing a trade information center which would serve as a one-stop shop for information on all issues relating to external trade including import/export licenses, technical requirements, and investment-related information. The assessment will review best practices of such centers. Information to be considered for inclusion in the Trade Information Center will encompass: existing trade agreements; current trade negotiations; trade statistics; import and export requirements; investment opportunities and requirements; export promotion and foreign markets; technical standards and regulations; and other trade information that should be present in this type of center. The assessment will also consider the feasibility of introducing an electronic data interchange system for trade and logistics, so as to improve the efficiency of processing import and export documents.

b) Modernization of the internal information system of the Ministry

- 2.29 On the basis of the specific findings of the assessment outlined in section a) above, this subcomponent will finance the upgrading of internal and external systems and procedures, external connections, the purchase and installation of new equipment (including cable connections, servers, routers and software registration fees as well as updating the Internet and Intranet links), and the creation of a new website for the Ministry.

c) Creation of a trade information center

- 2.30 On the basis of the specific findings of the assessment outlined in section a) above, this subcomponent will finance the implementation of the corresponding recommendations.

d) Database of trade in goods and services

- 2.31 This subcomponent will complement the increased statistical skills provided for in the training component (see paragraph 2.16). It will support the management and use of a trade statistics database, progressing through spread sheet applications, use for modeling in general and partial equilibrium analysis, and measuring the impact of policy changes on key socioeconomic variables related to households, businesses, employment, national income and welfare. This activity will be run in tandem with the analysis of the effects of trade liberalization (see paragraphs 2.33 and 2.34), so as to take full advantage of consultant expertise. The program will finance the preparation of manuals and other materials on the operation of the database, the hardware and software required for its operation, and technical advice and training.

5. Component V: Trade Assistance Program (US\$1,393,000)

- 2.32 The main goal of this component is to provide public and private sector agents with the information and tools necessary to understand clearly the effects of trade liberalization on Trinidad and Tobago; to promote exports and attract investment; and to identify and address the adjustment needs stemming from trade liberalization. It comprises three subcomponents: (i) an analysis of the impact of trade liberalization on the economy as a whole and on specific sectors; (ii) a review of existing strategies on export promotion and investment attraction and the development of new programs in these fields, including sector-specific strategies for priority exports; and (iii) an action plan to help meet adjustment needs, including a program to identify and access sources of funding that might support sectors affected by trade liberalization, a study outlining a strategy to promote the technological transformation of industries, and the identification of possible labor market adjustment needs. Senior trade experts and/or export promotion specialists will be contracted to carry out studies in this component. The TOR for each of the studies are detailed in the Operating Manual (Annex III).

a) Analysis of effects of trade liberalization

- 2.33 The main aim of this sub-component is to assess the economic, financial and social impacts of tariff elimination in the FTAA, an EPA with the EU, bilateral and multilateral (WTO) negotiations, including the impact on the economy as a whole and sector-specific effects. This assessment of the effects of trade liberalization on the economy will give rise to a report examining impact on (i) sectors and industries that will benefit from trade liberalization; and (ii) sectors and industries that will face adjustments. This study will complement the efforts being made to construct and manage the database (see paragraph 2.31) and the study on the fiscal impact of trade liberalization (see paragraph 2.22).

b) Export promotion and investment attraction

- 2.34 The findings of the assessment of competitive conditions and market access opportunities will inform the design and implementation of comprehensive export promotion and investment attraction strategies. In the preparation of these strategies, the public sector's responsibilities will be clearly identified and an action plan for implementation and evaluation will be drawn up. Under this subcomponent the following activities will be carried out: (i) current strategies on export promotion and investment attraction will be reviewed; (ii) a national strategy on trade and investment promotion will be prepared; (iii) two biannual updates of the national strategy on trade promotion will be prepared; (iv) five priority sector specific export promotion strategies will be developed; (v) a work plan on logistics of international trade will be developed; (vi) a subscription to export promotion data and marketing information with the International Trade Center (Geneva) will be financed; and (vii) the participation in five major international trade fairs per year will also be financed.

c) Adjustment needs program

- 2.35 On the basis of WTO-compatible approaches and on the identification of the sensitivities and adjustment needs of sectors and industries that might be adversely affected by trade liberalization, as outlined in a) above, an action plan will be drawn up to address the adjustment needs identified. The main aim is to identify the best approaches to increasing the technological transformation of industries, improving their competitiveness and accessing adjustment funds and programs. The plan will cover: (i) a program to define the strategy for accessing sources of funding to support the needs of sectors and industries identified in the analysis of the effects of trade liberalization; (ii) a program to promote technological transformation; (iii) human resource development and labor market adjustment needs; and (iv) the provision of six additional technical studies as may be needed by the private sector.

C. Cost and financing

- 2.36 The total cost of the program is estimated at US\$7.1 million of which US\$5.0 million will be financed by the Bank as a reimbursable loan. The US\$2.1 million difference will be contributed by the government as local counterpart. The operation does not qualify as a poverty-reduction loan. The following table presents a summary of the program costs by major component.

Table II-1
Consolidated Budget (thousand US\$)

	IDB	Local counterpart	Total	%
1. COMPONENT I: Institutional Reorganization and Strengthening	610	182	792	11.2
1.1 Preparation of Strategic Management Plan	163	49	212	3.0
1.2 Implementation Support Team	405	120	525	7.4
1.3 Logistical costs to implement Strategic and work plans	42	13	55	0.8
2. COMPONENT II: Specialized Technical Training	1,263	377	1,640	23.1
2.1 Substantive areas of training	1,201	359	1,560	22.0
2.2 Participation at external events (conferences, exchanges)	62	18	80	1.1
3. COMPONENT III: Technical Studies	347	103	450	6.3
3.1 Technical Studies to support negotiations and implementation	185	55	240	3.4
3.2 Technical Studies to support modernization of Customs Administration	46	14	60	0.8
3.3 Other Technical Studies	116	34	150	2.1
4. COMPONENT IV: Integrated Information Systems	806	241	1,047	14.8
4.1 Assessment of existing trade information data infrastructure	40	12	52	0.7
4.2 Modernization of internal information system of MTI	427	127	554	7.8
4.3 Creation trade information center	173	52	225	3.2
4.4 Database of trade in goods and services	166	50	216	3.0
5. COMPONENT V: Trade Assistance Program	1,073	320	1,393	19.6
5.1 Analysis of effects of trade liberalization	77	23	100	1.4
5.2 Export promotion and investment attraction	519	154	673	9.5
5.3 Adjustment needs program	477	143	620	8.7
6. MONITORING AND EVALUATION	200		200	2.8
6.1 Audits	120		120	1.7
6.2 Monitoring and evaluation	80		80	1.1
7. FINANCIAL COSTS	50	698	748	10.5
7.1 Interest		640	640	9.0
7.2 Inspection and Supervision	50		50	0.7
7.3 Credit Commission		58	58	0.8
8. ADMINISTRATION	484	144	628	8.8
8.1 Program Coordinator	185	55	240	3.4
8.2 Two Assistant Coordinators	148	44	192	2.6
8.3 Administrative/Financial Manager	74	22	96	1.4
8.4 Office and equipment expenses	77	23	100	1.4
9. CONTINGENCIES	167	35	202	2.9
TOTAL	5,000	2,100	7,100	100.0
TOTAL %	70%	30%	100%	

III. PROGRAM EXECUTION

A. The borrower and executing agency

- 3.1 The borrower would be the Republic of Trinidad and Tobago. The executing agency would be the Ministry of Trade and Industry.

B. Program execution and administration

- 3.2 For the purposes of project execution a Program Coordination Unit (PCU) will be created within the Ministry of Trade and Industry under the direct supervision of the Permanent Secretary. The PCU will be headed by a Program Coordinator, who will be responsible for day-to-day program management and the technical leadership of the PCU, and who will serve as the focal point for communication between the executing agency, the Bank and the other participating public sector bodies. The Program Coordinator will be assisted by an Administrative/Financial Manager whose duties will include internal coordination, liaison with the IDB and procurement. Responsibility for implementation of the individual program components will fall on two assistant coordinators: the first will be responsible for Institutional Strengthening, Training, Technical Studies and the Trade Assistance Program, and the second for Information Technology. The duties of these individuals and the activities that they will coordinate are described in the Operating Manual and Terms of Reference (Annex III). **The creation and staffing of the PCU, with the exception of the Information Technology Coordinator, will be a condition prior to first disbursement.** The Information Technology Coordinator will be contacted no later than 12 months after the signature of the loan contract.
- 3.3 The existing Technical Coordination Committee (TCC), functions as a forum for policy discussion between public agencies and consultation with private sectors and civil society. The TCC was created to advise the MTI and negotiating teams on strategies and negotiating positions to be adopted in international trade negotiations, as well as on the implementation and review of trade and investment agreements. The business community participates in this process through a mix of private sector interest groups, mostly from the non-oil sector and negotiated through the Standing Committee on Trade and Related Agreements (SCTRA), which participates in the TCC. The TCC meets at least once a month under the chairmanship of the MTI. In this operation the TCC will have a consultative role on technical issues.
- 3.4 Strategic direction, coordination and support will be provided by a Program Steering Committee (PSC) which will be responsible for monitoring progress against agreed benchmarks, assessing the continued viability of the program, facilitating inter-agency coordination (public and private sector), actively promoting high level “buy-in” to the program by participating agencies and channeling policy and organizational issues requiring government decisions or international involvement. The PSC will meet quarterly and could comprise the following: Minister (or Junior Minister) of MTI (Chairman); Permanent Secretary

of MTI (Secretary); representatives of the Ministries of Finance, Planning, Public Administration and Agriculture; one or two private sector representatives; and a representative of the Institute of International Relations of the University of the West Indies. The PCU will serve as technical secretariat to this committee. **The creation of the Program Steering Committee will be a condition precedent to first disbursement.**

- 3.5 The main public sector beneficiaries of the program will be: (i) the Ministry of Trade and Industry and the statutory bodies and public enterprises within its purview that have responsibility for trade development and export promotion; and (ii) the Ministries of Agriculture, Finance and Foreign Affairs. The main private sector beneficiaries will be firms in the non-oil export sector, which will benefit from public agencies' greater capacity to conduct negotiations and strengthen their investment promotion operations. As stated earlier, the Strategic Management Plan will address the coordination among trade related public agencies.

C. Accounting and auditing

- 3.6 The Program Coordination Unit (PCU) will maintain adequate internal financial and accounting records of the project funds to allow for verification of transactions and to facilitate timely preparation of financial statements and reports. Project financial and accounting records will be arranged so that: (i) the sums received from the various sources can be identified; (ii) project expenses are reported in accordance with the chart of accounts approved by the Bank, with distinction made between Bank contributions and funds from other sources; and (iii) the necessary details are included to identify goods acquired and services contracted, as well as their use. The executing agency (PCU) will open separate, specific commercial bank accounts for managing the Bank contribution and local counterpart funds.
- 3.7 The PCU will be responsible for keeping updated accounting records. Financial statements, audited by a firm of independent public accountants acceptable to the Bank, will be presented during the program execution period. These audited financial statements will be presented within 120 days of the end of the corresponding fiscal year. The cost of the external audit has been included in the cost of the program and will be financed as part of the Bank loan. Audit works will be performed under the terms of reference previously approved by the Bank (Document AF-400). The private audit firm will be selected and contracted in accordance with the Bank's bidding procedures for audit firms (Document AF-200).

D. Procurement of goods and services

- 3.8 All selection and contracting of services and acquisition of goods and materials will be carried in accordance with Bank procurement procedures. However, in the case of the computer hardware and software that will be purchased under Component IV Integrated Information Systems, it is herein requested that the

Executing Agency be granted a waiver to select these goods on a sole sourcing basis. This is deemed justified in order to insure that the acquired goods are compatible and standardized with the existing computer hardware and software currently utilized within the MTI.⁸ The estimated cost of the hardware is approximately US\$340,000 and software US\$175,000. It is not foreseen that any civil works will be financed under the program. International public bidding is mandatory for the acquisition of goods and related services that exceed US\$350,000 and US\$200,000 in the case of consulting firms. All procurement under the set limits for goods and consulting firms will be carried out according to national legislation. The contracting of international individual consultants will be carried out according to the Bank's international competitive bidding (ICB) procedures, whereas the contracting of local consultants will be carried out under national competitive bidding (NCB) process. Annex II presents a draft Procurement Plan.

E. Revolving fund

- 3.9 To disburse the Bank financing, it is recommended that a revolving fund of up to 5% of the amount of the loan be established in a special bank account.

F. Execution and disbursement schedule

- 3.10 The program will have an execution period of 48 months and a disbursement period of 54 months according to the following disbursement schedule:

Table III-1
Annual Disbursement Schedule by Source of Financing
(US\$ thousand equivalent)

Source	Year 1	Year 2	Year 3	Year 4	Total
IDB	1.500	2.000	0.750	0.750	5.000
Local counterpart	.630	.840	.315	.315	2.100
Total	2.130	2.840	1.065	1.065	7.100
% Year	30.0	40.0	15.0	15.0	100%

⁸ This waiver refers only to the selection of a particular brand of hardware and software. Should the particular brand be available from more than one supplier, the suppliers would be required to submit competitive bids. The request for this waiver is based on the recommendation of ROS/PRM in light of recent Bank experience in connection with the procurement of computer hardware and software.

G. Monitoring, evaluations and progress reports

1. Monitoring

- 3.11 A draft Operating Manual for the program has been prepared and is available in the technical files of RE3/SC3 (see Annex III). This manual contains the operating instructions for each of the program activities, including the Program Coordination Unit. These operating instructions include: the qualifications and terms of reference for each of the consultancies to be contracted as part of the program, as well as a tentative timetable for their contracting and the execution of their responsibilities. **The presentation of the final version of the Operating Manual to the Bank is a condition precedent to first disbursement.**
- 3.12 On the basis of the existing Operating Manual and Terms of Reference for the activities, at the beginning of each year of project execution the PCU will prepare an Annual Operating Plan (AOP) for each component of the program. This document will present an updated version of the information described in the Operating Manual concerning the activities, calendar, TOR and goals to be achieved during the ensuing 12-month period. The AOPs, with the exception of the one for the first year of the program, should present an evaluation of the previous period and justification for modifications with respect to the originally envisioned goals. The existing Operating Manual and Terms of Reference, which already cover all program activities and provide a calendar, will be used as the basis for the preparation of the final version of the AOP of the first year. **Presentation of the final version of the AOP for the first year of program execution will be a condition precedent to first disbursement.**

2. Mid-term review and final evaluation

- 3.13 Resources are provided for in the loan for the Bank to contract a consultancy to carry out an independent mid-term and final evaluation of the program. This consultant will be contracted after the approval of the loan and will establish an evaluation framework based primarily on the indicators and goals established in the Logical Framework. The majority of the baseline data required for evaluation and monitoring of the project has either already been collected or is readily available. The PCU will be responsible for collecting the relevant data during the execution of the program. Within 24 months of the signature of the loan contract the evaluation consultant will begin a mid-term review of the project to be completed within 26 months from contract signature. Immediately before the mid-term evaluation, a review of each of the AOPs will be carried out to determine if any changes should be made to the execution of the program. This review will also be based on the agreed indicators, and the degree to which the program is achieving the goals established. The assumptions in the Logical Framework will also be reviewed and updated as required. If necessary, the consultant will make recommendations for actions to improve execution. Finally, once the execution of the main components of the program has concluded, the consultant will carry out a final evaluation. This evaluation will analyze the results of the execution of the

program and the achievement of the proposed goals in all sections of the Logical Framework.

3. Progress reports

- 3.14 Progress reports on the execution of the project will be presented to the Bank by the PCU within 30 days following the end of each semester. These reports will be prepared in accordance with the relevant rules agreed upon with the Bank.

4. Ex-post evaluation

- 3.15 In accordance with Bank policies, the MTI was consulted as to whether or not it wanted to carry out an ex-post evaluation in the program. The Ministry responded that it supports the Bank's initiative to utilize the Annual Operating Plans, mid-term review and final evaluation as a means to evaluate the project, as described in paragraphs 3.12-3.13. In this regard, the evaluations included in the POAs, the mid-term review, and final evaluation will include indicators and parameters that will enable the Bank and the borrower to understand the impact of the program and the goals achieved as a result. This information will be available to the Bank in the event that it should later decide to carry out its own ex-post evaluation. Given the recent creation of the Trade Sector Facility, such an evaluation might be conducted as a means of comparing the results of this program with others using the same Facility. The MTI also indicated that it supports the inclusion of the Trinidad and Tobago Trade Sector Support Program, should the Bank later seek to carry out an ex-post evaluation of programs using this same Facility.

IV. VIABILITY AND RISKS

A. Institutional and financial viability

- 4.1 The design of this program has taken full account of the functions of the executing agency, the Ministry of Trade and Industry (MTI). The trade sector assessment conducted in preparation for the program has confirmed the central role and responsibilities of the MTI in the trade policy-making process. The MTI is responsible for devising trade policy, negotiating trade agreements, managing competition policy, as well as for antidumping measures and countervailing duties. It is charged with the negotiation of bilateral investment accords, the coordination of trade in services, consultation with the private sector, the promotion of exports and investment, and for overseeing the Tourism and Industrial Development Company (TIDCO), the EXIM Bank, and the Business Development Company. The activities contemplated under this operation are therefore wholly consistent with the competencies assigned to the MTI. Moreover, the scope and substance of those activities have been drawn up in close consultation with the officials who will be responsible for monitoring implementation of the program.
- 4.2 The incorporation of the coordinating functions of the Program Steering Committee (PSC) into this program (see paragraph 3.4) will help to ensure stakeholder input. The possibility of a clash of responsibilities with other agencies whose activities are related to foreign trade is therefore slight, and in any case has been addressed in this operation by consulting from the outset all relevant bodies – including representatives of the private sector – in the preparation of the program. Moreover, an important part of the operation itself consists of developing mechanisms to improve coordination among all pertinent government agencies; coordination with the RNM; and consultation with the private sector and other stakeholders.
- 4.3 Additionally, to consolidate yet further the operation's institutional viability, its design calls for the establishment of a Program Coordination Unit (PCU) within the MTI under the direct supervision of the Permanent Secretary. The Program Coordinator in the PCU will serve as a pivot for communication between the MTI, the Bank, and the other public bodies involved. It is also envisaged that the professional activities of the two assistant coordinators responsible for the components of the program (the first, responsible for institutional strengthening, training, technical studies and the trade assistance program and the second for information technology) will be devoted solely to the discharge of their duties under this operation.
- 4.4 The government's medium-term policy framework includes among its priorities the diversification of the economy, greater international competitiveness, and the development of a knowledge-based society, suggesting that the execution of this operation – whose activities are conducive to meeting goals in all three areas – will be accorded priority by the MTI. The authorities have reiterated their interest

in accelerating trade policy reform and indeed, Trinidad and Tobago has been playing a leadership role in this area within the Anglophone Caribbean. This objective is reflected in the recent restructuring of the MTI to deal with the country's expanding trade agenda. These circumstances suggest that the government will be strongly committed to the success of the operation.

- 4.5 The budget of the MTI for the fiscal year 2003 (October 2002-September 2003) has the equivalent of US\$25,000 in counterpart resources for activities to be carried out under this operation. Supplemental budgets will include the remaining counterpart commitments. Furthermore, adjustments and reallocations would be made when reviews of budgetary performance are carried out. The government has made plain its commitment to provide the necessary counterpart resources and to sustain these activities beyond the medium-term actions of this program.

B. Environmental and social impact

- 4.6 The activities to be financed in this program will not have negative direct environmental or social effects. Nevertheless, the operation aims to strengthen the country's capacity to promote and diversify exports, as well as to conduct international trade negotiations for the purposes of exploiting commercial opportunities. In the light of the importance of the trade sector for Trinidad and Tobago's economic performance, the operation's activities should have a positive effect on levels of employment and income, while helping to mobilize resources to support sustainable improvements in the delivery of social services.
- 4.7 The operation can also be expected to have an indirect positive environmental impact, since it will address systems to support compliance with international trade agreements, including those related to the environment. Additionally, the program is designed to reflect the recommendations made in the CESI meeting of September 27, 2002 related to addressing the potential negative indirect impacts of the program. Therefore, program activities include a technical study on the environment, labor and trade, with the involvement of the environmental management authority (Ministry of Public Utilities and the Environment) of Trinidad and Tobago. The terms of reference for the training and technical studies related to the capacity to analyze environmental and socioeconomic impacts are complemented by the analysis of sociocultural issues.

C. Benefits

- 4.8 This program promises multiple benefits. It will improve the technical capacity of Trinidad and Tobago to conduct trade negotiations, to implement trade agreements, to promote trade and investment opportunities, and to exploit the opportunities and face the challenges arising from trade liberalization. This will enhance the country's insertion into the global economy, support the development of non-petroleum exports and increase the efficiency of the economy, thereby increasing the potential for economic growth and development.

- 4.9 The operation will further improve coordination within the MTI, between the MTI and other state agencies whose activities relate to trade, and between public sector agencies, the private sector and other stakeholders. The establishment and upgrading of mechanisms for these purposes will help build the national consensus on policy-making that is conducive to improved trade performance. In the coming years these benefits will become apparent in the country's negotiation and implementation of provisions agreed to in the WTO, the FTAA, the EU-ACP trade talks, the CSME and bilateral initiatives, as well as in Trinidad and Tobago's adjustment to the new trading environment attendant on the conclusion of such agreements.

D. Risks

- 4.10 The program faces three main risks. The first concerns the institutional capacity of a small ministry to execute the program activities. This risk will be minimized by hiring highly qualified staff for the Program Coordination Unit, who will be devoted exclusively to program execution. Additionally, the existence of a detailed Operating Manual covering all program activities throughout the four-year execution period will facilitate implementation. Finally, program execution will be assessed at the mid-term review to determine if additional strengthening measures need to be undertaken.
- 4.11 The second risk relates to institutional changes made to the organization of the MTI in recent years. Ministry officials have relatively limited experience of the new structure and will be adapting to it as the MTI is subject to this operation. As a means of mitigating this risk, the program's assessment of operational procedures and its design of a Strategic Management Plan will be undertaken in full consultation with MTI officials and their views will be taken into account in designing institutional changes. Additionally, as a means of facilitating the transition to new arrangements, implementation of the Strategic Management Plan will be accompanied by the provision of technical advice and support for managing institutional change and consolidating the new structure.
- 4.12 The third main risk concerns public sector turnover in trade-related state agencies. To address this risk the operation offers public officials continuous incentives for professional development through intensive training in trade and economics, ranging from basic aptitudes in economic analysis to advanced skills in trade issues and inter-governmental negotiating techniques. Moreover, the program makes substantial allowance for the training of trainers, ensuring that the government has recourse to a pool of trained individuals. In addition, the program will create a better institutional, technological and intellectual environment for public officials, in which personnel will have access to modern information and communications technology and closer links with important international organizations. Separately, the government itself is examining the overall structure of the public administration with a view to reducing turnover.

TRINIDAD & TOBAGO
Trade Sector Support Program (TT-0052)

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOALS			
Improve the international trade performance of Trinidad and Tobago	<p>At the end of the program in 2006:</p> <ul style="list-style-type: none"> • Increase in exports which have been the result of export promotion strategies; and • Greater private sector use of specific assistance programs as a result of guidelines provided by this operation. 	<p>Final Evaluation</p> <p>Final Evaluation</p>	<p>Government continues to support its trade liberalization policy</p> <p>The international macroeconomic situation remains stable</p> <p>The macroeconomic situation in the country remains stable</p>
PURPOSE			
Strengthen the country's technical and institutional capacity to formulate and implement trade policy, to participate effectively in trade negotiations, to implement trade agreements, and to increase and diversify exports	<ul style="list-style-type: none"> - Effective insertion of Trinidad and Tobago into trade agreements negotiated and signed during the program execution period; - Demonstrated higher technical knowledge and trade expertise of trade officials in the country - Technical, analytical and institutional bases of trade policymaking are improved - Use of modern information technologies and improved organization structures in strengthened management capacity of the MTI; - Inter-institutional coordination is enhanced 	<p>Membership of Trinidad and Tobago in trade negotiations</p> <p>Review of Annual Operating Plans</p> <p>Progress reports</p> <p>Final Evaluation</p>	<p>Government support of institutional change and modernization</p> <p>Availability of local counterpart funding</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OUTPUTS and ACTIVITIES			
1. The Ministry of Trade and Industry undergoes institutional reorganization and strengthening, enhancing its capacity to coordinate with other public institutions	<p>1.1 Based on the initial diagnostic of internal division of labor, specific recommendations for changes to the current institutional structure of the Ministry of Trade and Industry are provided</p> <p>1.2 Strategic management plans, including action plan for implementation, are prepared</p> <p>1.3 Strategic management plans are implemented to support the reorganization of the Ministry</p>	<ul style="list-style-type: none"> - Review of Annual Operating Plans - Progress reports - Final Evaluation 	<p>Support within the MTI to introduce institutional changes</p> <p>Adequate budget support for MTI</p>
2. Improvement of performance of public institutions by strengthening their capacity to devise and execute policy to conduct trade negotiations and to implement agreements	<p>2.1 Technical capacity of staff is enhanced through in-depth training in issues such as: negotiation techniques, market access, customs and trade facilitation, services, fair trading practices, government procurement, trade law and dispute settlement, investment, intellectual property rights, e-commerce, environment, labor, market intelligence and research techniques, trade agreements, training trainers and other areas of training.</p> <p><u>Activities</u></p> <ul style="list-style-type: none"> - By 2006, technical capacity of staff in the organizations involved is enhanced through 78 in-depth training courses. - By 2006, 1248 persons have attended training courses 	<p>Manuals for the individual training components</p> <p>Review of Annual Operating Plans</p> <p>Progress reports</p> <p>Mid-term review</p> <p>Final evaluation</p>	<p>Availability of experts to provide the training</p> <p>Progress in institutional reorganization and strengthening of MTI under component I</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
3. Provide a sound technical grounding to underpin trade policy on priority matters.	3.1 By 2006: <ul style="list-style-type: none"> - Manual of trade legislation for the implementation of trade agreements has been developed - Possible strategies for trade negotiations have been identified - Export development strategy for the services sector has been developed - An interactive database for future and current trade negotiation has been developed - Work plan for implementation of the proposed recommendations on the modernization of customs procedures has been developed 	Annual Operating Plans Progress reports Mid-term review Final evaluation	Availability of experts to conduct the studies Existence of clear trade policy objectives and priorities
	<u>Activities</u> By 2006: <ul style="list-style-type: none"> - Completion of 8 technical studies to support negotiations and implementation - Completion of 2 technical studies to support the modernization of customs administration - Completion of 5 other technical studies 		
4. Establishment of an integrated information system for the trade sector	4.1 New system that addresses the statistical and information needs of the MTI is designed 4.2 Work plan to undertake a comprehensive renewal of the Ministry's information capability is prepared	Annual Operating Plans Progress reports Mid-term review Final evaluation	Availability of technical experts Clear definition of priorities for communications and technological renewal and modernization

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>4.3 A database of trade in services is established and existing databases of trade in goods are strengthened</p> <p>4.4 Upgrade internal and external systems and procedures, external connections, purchase and install new equipment, including cable connections, servers, routers and software registration fees</p> <p>4.5 Update of Internet and Intranet links and creation of a new website for the Ministry</p> <p>4.6 A trade information center is created within the MTI</p>	<p>Manuals and other materials on the operation of the database, hardware and software</p>	
<p>5. Definition of a National Strategy that integrates the necessary measures of a Trade Assistance Program for trade liberalization</p>	<p>5.1 Overall impact on the economy as a whole and sector specific impacts are identified and measured</p> <p>5.2 Overall and specific strategies to promote exports and attract foreign investment are developed.</p> <p>5.3 Responses on the best approaches to increase the technological transformation of industries, to improve their competitiveness and to access adjustment funds and programs are provided</p>	<p>Annual Operating Plans</p> <p>Progress reports</p> <p>Mid-term review</p> <p>Final evaluation</p>	<p>Definition of clear trade policy goals and long-term objectives</p> <p>Good communication with different stakeholders in public sector and civil society</p> <p>Availability of technical experts</p> <p>Progress in institutional reorganization and strengthening of MTI under component I</p> <p>Progress in technical studies in component III which complement this component</p>